

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 18, 2019

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APPLICATION OF

ATMOS ENERGY CORPORATION

CASE NO. PUR-2019-00054

For approval of a SAVE Plan and Rider as
provided by Chapter 26 of Title 56 of the
Code of Virginia

ORDER FOR NOTICE AND HEARING

On April 1, 2019, Atmos Energy Corporation ("Atmos Energy" or "Company") filed with the State Corporation Commission ("Commission") an Application for approval of a new SAVE Plan and Rider ("Application") as provided by Chapter 26 of Title 56 of the Code of Virginia ("Code") (§§ 56-603 *et. seq.*, the "SAVE Act" or "Act").¹ Specifically, Atmos Energy seeks approval of its second Steps to Advance Virginia's Energy Plan (the "SAVE Plan" or "Plan") under the SAVE Act.² The Company filed this request seeking approval to implement a SAVE Plan and an associated rider (the "SAVE Rider" or "Rider") to recover the necessary costs associated therewith. The Company's proposed SAVE Plan is designed to facilitate the replacement of approximately \$107 million (net of retirements) of eligible natural gas infrastructure over a fourteen-year period with the SAVE Rider commencing October 1, 2019.³

Per Atmos Energy, the Plan and Rider will increase customers' bills through a monthly fixed charge as follows: Residential: \$0.16; Small Commercial/Industrial: \$0.58; Large

¹ *Application of Atmos Energy Corporation, For Approval of a SAVE Plan and Rider as provided by Chapter 26 of Title 56 of the Code of Virginia*, PUR-2019-00054, Doc. Con. Cen. No. 190410017 (April 1, 2019).

² Application at 1.

³ Application at 2.

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Commercial/Industrial: \$6.22; Large Transportation Service: \$22; Optional Gas Service: \$18.49; Optional Gas Transportation: \$37.54; Cogen and CNG: \$0.21; and Air Conditioning: \$0.17.⁴ Atmos Energy states that such expenditures are necessary to "enhance safety and reliability by reducing system integrity risks"⁵ associated with "customer outages, corrosion, equipment failures, material failures, or natural forces,"⁶ and reduced/the potential to reduce greenhouse gas emissions.⁷ Specifically, the Company will replace or remove approximately 75.5 miles of unlocatable plastic pipe, 4,124 related service lines, 10 gate stations, 15 regulator stations and seven electrically shorted steel-cased crossings.⁸

Atmos Energy states that its SAVE Program investment will occur solely in the Company's Virginia jurisdictional areas⁹ with an approximate first year cost of \$2.4 million and escalating annually thereafter, with the highest stated annual SAVE Plan year cost of \$15,414,416.¹⁰ The Company further requests permission to vary its annual investment up to 10% above or below the projected Plan year amount,¹¹ as well as, on a cumulative basis, to spend 10% more or less than the total SAVE Plan costs set forth in its Application.¹²

⁴ Application at 7-8.

⁵ *Id.* at 3.

⁶ *Id.* at 2.

⁷ *Id.* at 3.

⁸ *Id.* at 3-5.

⁹ Application at 3, Martin Testimony at 2 and Chastain Testimony at 2-Atmos serves areas in and around the following Virginia towns and cities: Abingdon, Blacksburg, Bristol, Chilhowie, Christianburg, Dublin, Emory, Glade Spring, Marion, Meadowview, Pulaski, Radford, Rural Retreat and Wyethville.

¹⁰ Application at 5, Chastain Testimony at 4.

¹¹ Application at 5.

¹² *Id.*

Atmos Energy's 2019 SAVE Rider (or "Infrastructure Reliability and Replacement Adjustment" or "IRRA")¹³ will consist of two factors: (1) an "Infrastructure Replacement Current Rate" ("IRCR" or "Current Rate" or "Projected Factor"), to become effective with the first billing cycle in October 2019; and (2) an "Infrastructure Replacement Reconciliation Rate" ("IRR" or "Reconciliation Rate" or "True-up Factor") which is an annual true up to be "calculated based on the actual cost of service using the same calculations and formulas used to calculate the projected factor."¹⁴ The Company proposes to allocate the revenue requirement attributable to the Plan among the "current rate schedules/customer classes (excluding special contracts) based on the proportionate contribution to gross margin as calculated in the Company's AIF each year."¹⁵ Atmos Energy submits that use of the cost allocation determined appropriate by the Commission will "ensure that the same ratio of costs are recovered from each rate schedule . . . and no undue cross subsid[ization] . . ."¹⁶

Accordingly, IT IS ORDERED THAT:

(1) This matter is docketed and assigned Case No. PUR-2019-00054.

(2) As provided by Code § 12.1-31 and Rule 5 VAC 5-20-120, *Procedure before Hearing Examiners*, of the Commission's Rules of Practice, a Hearing Examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission.

(3) A public hearing shall be convened on July 16, 2019, at 10 a.m., in the Commission's second floor courtroom, Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to

¹³ Application at 6.

¹⁴ *Id.* at 6-7.

¹⁵ *Id.* at 7.

¹⁶ *Id.*

receive the testimony of public witnesses and the evidence offered by Atmos Energy, respondents, and the Staff on the Application. Any person desiring to offer testimony as a public witness at this hearing should appear in the Commission's courtroom 15 minutes prior to the starting time of the hearing and identify himself or herself to the Commission's Bailiff.

(4) Any interested person may request a copy of the Application, accompanying materials, and this Order for Notice and Hearing by directing a request in writing to: Timothy Biller, Hunton, Andrews and Kurth, LLP, 951 East Byrd Street, Richmond, Virginia 23219. If acceptable to the requesting party, Atmos Energy may provide the documents by electronic means. Atmos Energy shall, within three (3) days of receiving such request, serve the requested documents upon the person making such request. Copies of the public version of all documents filed in this case also shall be made available for public inspection in the Commission's Document Control Center, located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

(5) On or before May 8, 2019, the Company shall cause a copy of the following notice to be published as display advertising (not classified) on one (1) occasion, in newspapers of general circulation throughout the Company's service territory within the Commonwealth of Virginia:

NOTICE TO THE PUBLIC OF AN APPLICATION BY
ATMOS ENERGY CORPORATION FOR APPROVAL OF THE
COMPANY'S REQUESTED SAVE PLAN AND RIDER
CASE NO. PUR-2019-00054

On April 1, 2019, Atmos Energy Corporation ("Atmos Energy" or "Company") filed an application ("Application") with the State Corporation Commission ("Commission") pursuant to

§ 56-603 *et seq.* of Chapter 26 of Title 56 of the Code of Virginia, the Steps to Advance Virginia's Energy Plan (SAVE) Act, and 5 VAC 5-20-80 of the Commission's Rules of Practice and Procedure. The Company filed this request seeking approval to implement a Steps to Advance Virginia's Energy Plan (the "SAVE Plan" or "Plan") and an associated rider (the "SAVE Rider" or "Rider"), to recover the necessary costs associated with the implementation of the Plan. The Company's proposed SAVE Plan is designed to facilitate the replacement of approximately \$107 million (net of retirements) of eligible natural gas infrastructure over a fourteen-year period with the SAVE Rider commencing October 1, 2019. Per Atmos Energy, the Plan and Rider will increase residential customers' bills by \$0.16 per month, with necessary expenditures to "enhance safety and reliability by reducing system integrity risks associated primarily with unlocatable plastic pipe and service lines as well as certain identified gate and regulator stations and steel cased crossings."

Atmos Energy states that its SAVE Program investment will occur solely in and around its Virginia jurisdictional cities and towns of Abingdon, Blacksburg, Bristol, Chilhowie, Christianburg, Dublin, Emory, Glade Spring, Marion, Meadowview, Pulaski, Radford, Rural Retreat and Wyethville. The Company states an approximate initial cost of \$2,424,503 in main, service line and related facilities replacement (year one) and with additional costs incurred each subsequent year of the SAVE Plan. Atmos Energy further requests that the Company be allowed to vary the annual investment up to 10% above or below the projected amount as well as, on a cumulative basis, to vary the total SAVE Plan costs set forth in the Application up to 10% above or below the projected amounts.

Atmos Energy's 2019 SAVE Rider (or "Infrastructure Reliability and Replacement Adjustment" or "Infrastructure Adjustment") will consist of two factors: (1) an "Infrastructure Replacement Current Rate" ("Current Rate"), to become effective with the first billing cycle in October 2019; and (2) an "Infrastructure Replacement Reconciliation Rate" which is an annual true up to be "calculated annually based on the prior year's actual cost of service using the same calculations and formulas as used to calculate the proposed Current Rate." Atmos Energy proposes to allocate the revenue requirement attributable to the Plan among "current rate schedules based on the proportionate non-gas cost revenue per customer class established in the Company's most recent Annual Informational Filing (excluding special contracts)." Atmos Energy submits that use of the cost

allocation determined appropriate by the Commission, will "ensure that the same ratio of costs are recovered from each rate schedule . . . with no undue cross subsid[ization] . . ."

TAKE NOTICE that the Commission may adopt rates that differ from those appearing in the Company's Application and supporting documents and may apportion revenues among customer classes and/or design rates in a manner differing from that shown in the Application and supporting documents.

The details of these and other proposals are set forth in the Company's Application. Interested persons are encouraged to review the Company's Application and supporting exhibits for the details of these proposals.

The Commission entered an Order for Notice and Hearing that, among other things, directed the Company to provide notice to the public and provided interested persons an opportunity to comment on the Company's Application.

The public version of the Company's Application, as well as the Commission's Order for Notice and Hearing, are available for public inspection during regular business hours at each of the Company's business offices in the Commonwealth of Virginia. Copies also may be obtained by submitting a written request to counsel for the Company, Timothy Biller, Hunton, Andrews and Kurth, LLP, 951 East Byrd St., Richmond, Virginia 23219. If acceptable to the requesting party, the Company may provide the documents by electronic means.

Copies of the public version of the Application and other documents filed in this case also are available for interested persons to review in the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

On or before June 11, 2019, any interested person who has filed Notice of Participation by the date described herein shall file pre-filed testimony on the Company's Application.

On or before July 9, 2019, any interested person wishing to comment on the Company's Application shall file written comments on the Application.

A public hearing shall be convened on July 16, 2019, at 10 a.m., in the Commission's second floor courtroom, Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive the testimony of public witnesses and the evidence offered by Atmos Energy, respondents, and the Staff on the Application. Any person desiring to offer testimony as a public witness at this hearing should appear in the Commission's courtroom fifteen (15) minutes prior to the starting time of the hearing and identify himself or herself to the Commission's Bailiff.

All filings in this case shall be made with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Any interested person desiring to file comments electronically may do so on or before July 9, 2019, by following the instructions on the Commission's website: <http://www.scc.virginia.gov/case>. Compact discs or any other form of electronic storage medium may not be filed with the comments. All such comments shall refer to Case No. PUR-2019-00054.

A copy of any written comments and requests for hearing shall simultaneously be sent to counsel for the Company at the address set forth above.

The Commission's Rules of Practice and Procedure may be viewed at <http://www.scc.virginia.gov/case>. A printed copy of the Commission's Rules of Practice and Procedure and an official copy of the Commission's Order for Notice and Hearing in this proceeding may be obtained from the Clerk of the Commission at the address set forth above.

ATMOS ENERGY CORPORATION

(6) On or before May 8, 2019, Atmos Energy shall serve a copy of this Order for Notice and Hearing on the chairman of the board of supervisors and county attorney of each county and upon the mayor or manager (or upon equivalent officials) of every city and town in which the Company provides service in the Commonwealth of Virginia. Service shall be made by personal delivery or by first class mail, postage prepaid, to the customary place of business or residence of the person served.

(7) On or before June 21, 2019, the Company shall provide the Commission with the proof of notice and service required by Ordering Paragraphs (5) and (6).

(8) Any person or entity may participate as a respondent in this proceeding by filing a notice of participation on or before May 31, 2019. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (4), and the respondent shall simultaneously serve a copy of the notice of participation on counsel to Atmos at the address in Ordering Paragraph (4). Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's Rules of Practice, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Any organization, corporation, or government body participating as a respondent must be represented by counsel as required by 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. All filings shall refer to Case No. PUR-2019-00054.

(9) On or before June 11, 2019, each respondent may file with the Clerk of the Commission at the address set forth in Ordering Paragraph (4), and serve on the Staff, Atmos, and all other respondents, any testimony and exhibits by which the respondent expects to establish its case, and each witness's testimony shall include a summary not to exceed one page. If not filed electronically, an original and fifteen (15) copies of such testimony and exhibits shall be submitted to the Clerk of the Commission. In all filings, respondents shall comply with the Commission's Rules of Practice, including, but not limited to, 5 VAC 5-20-140, *Filing and*

service; and 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUR-2019-00054.

(10) On or before June 21, 2019, the Staff shall investigate the Application and file with the Clerk of the Commission an original and fifteen (15) copies of the Staff's testimony and exhibits, and each Staff witness's testimony shall include a summary not to exceed one page. A copy thereof shall be served on counsel to Atmos Energy and all respondents.

(11) On or before July 3, 2019, Atmos Energy may file with the Clerk of the Commission any rebuttal testimony and exhibits that it expects to offer, and each rebuttal witness's testimony shall include a summary not to exceed one page. Atmos Energy simultaneously shall serve a copy on the Staff and all respondents. If not filed electronically, an original and fifteen (15) copies of such rebuttal testimony and exhibits shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (4).

(12) Written comments on the Application may be filed on or before July 9, 2019, by either of the following methods: An original and fifteen (15) copies of any comments may be filed with the Clerk of the Commission at the address set forth in Ordering Paragraph (4). In the alternative, comments may be submitted electronically by following the instructions available at the Commission's website: <http://www.scc.virginia.gov/case>. A hard copy of such comments, whether submitted in writing or electronically, shall be served on Atmos Energy at the address identified in Ordering Paragraph (4). All comments shall refer to Case No. PUR-2019-00054.

(13) All documents filed with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

(14) Responses and objections to written interrogatories and requests for production of documents shall be served within five (5) business days after receipt of the same. In addition to the service requirements of 5 VAC 5-20-260, *Interrogatories or requests for production of documents and things*, of the Rules of Practice, on the day that copies are filed with the Clerk of the Commission, a copy of the interrogatory or request for production shall be served electronically, or by facsimile, on the party to whom the interrogatory or request for production is directed or the assigned Staff attorney, if the interrogatory or request for production is directed to the Staff.¹⁷ Except as modified above, discovery shall be in accordance with Part IV of the Commission's Rules of Practice, 5 VAC 5-20-240 *et seq.*

(15) This matter is continued.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Timothy Biller, Hunton, Andrews and Kurth, LLP, 951 East Byrd St., Richmond, Virginia 23219; C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 202 N. 9th Street, 8th Floor, Richmond, Virginia 23219-3424. A copy also shall be delivered to the Commission's Office of General Counsel and Divisions of Utility Accounting, Finance and Public Utility Regulation and Utility and Railroad Safety.

¹⁷ The assigned Staff attorney is identified on the Commission's website: <http://www.scc.virginia.gov/case>, by clicking "Docket Search," and clicking "Search Cases," and entering the case number, PUR-2019-00054, in the appropriate box.